

**STATE OF VERMONT  
PUBLIC SERVICE BOARD**

Docket No. \_\_\_\_\_

Petition of twenty Vermont utilities and )  
Vermont Public Power Supply Authority )  
requesting authorization pursuant to 30 )  
V.S.A. § 248 for the purchase of shares of )  
218 MW to 225 MW of electricity from H.Q. )  
Energy Services (U.S.) Inc. commencing )  
November 1, 2012 through 2038, issuance of )  
findings that such purchases are entitled to )  
rate recovery assurance, and requesting )  
certain approvals under 30 V.S.A. § 108 )

**PETITION**

NOW COME the undersigned petitioners (the “Petitioners”) on this 17th day of August, 2010 and respectfully ask the Public Service Board (the “Board”) to grant the authorizations and requested relief as set forth below. In support hereof, Petitioners represent as follows:

**I. Request for Certificates of Public Good Under 30 V.S.A. § 248**

**A. The Petitioners**

1. Each Petitioner is a duly organized “company” as defined by Section 201 of Title 30, Vermont Statutes Annotated (“V.S.A.”), with a principal place of business in Vermont, and is subject to the Board’s jurisdiction pursuant to 30 V.S.A. § 203.

2. Petitioners Central Vermont Public Service Corporation (“CVPS”), Green Mountain Power Corporation (“GMP”), Vermont Public Power Supply Authority (“VPPSA”), Vermont Electric Cooperative, Inc. (“VEC”), Vermont Marble Power Division of Omya Inc. (“Vermont Marble”), Town of Stowe Electric Department (“Stowe”), and City of Burlington, Vermont Electric Department (“BED”) (collectively, the “Vermont Buyers”) are each purchasers under a long-term Power Purchase & Sale Agreement with H.Q. Energy Services (U.S.) Inc. (“HQUS”) dated as of August 12, 2010, for the purchase of shares of up to 218 MW to 225 MW

of energy and environmental attributes commencing on November 1, 2012 and continuing through 2038 (the “HQUS PPA” or the “PPA”). The HQUS PPA is set forth in Confidential Exhibit Petitioners’ Joint-3.

3. Petitioner VPPSA is a joint action agency and power supplier on behalf of municipal and cooperative electric utilities. As such, it is not a load serving entity and does not have a corresponding load obligation. *See* 30 V.S.A. § 5012(7), (8), and (11).

4. Petitioners Barton Village, Inc. Electric Department, Enosburg Falls Electric Light Department, Hardwick Electric Department, Hyde Park Electric Department, Jacksonville Electric Department, Johnson Electric Department, Ludlow Electric Light Department, Lyndonville Electric Department, Morrisville Water & Light Department, Northfield Electric Department, Inc., Village of Orleans Electric Department, Readsboro Electric Light Department, and Swanton Electric Department are each members of VPPSA (collectively, the “VPPSA Municipalities”).

5. Petitioners Washington Electric Cooperative, Inc. (“WEC”) and the VPPSA Municipalities (together, the “PSA Participants”) are each load serving entities but have decided that the most cost-effective way to purchase power from HQUS is through VPPSA, and as such VPPSA proposes to enter into a Power Sales Agreement (the “VPPSA PSA”) for the sale of energy and transfer of environmental attributes from VPPSA to the PSA Participants in the form set forth in Exhibit VPPSA-2.

6. Petitioner WEC plans to convey its allotment to VEC until the time WEC needs the power. *See* Exhibit WEC-4.

7. 30 V.S.A. § 248 provides in pertinent part that no company, as defined in 30 V.S.A. § 201, may in any way purchase electric capacity or energy from outside of the State, for a period exceeding five years, that represents more than one percent of its historic peak demand, unless the Board first finds that the same will promote the general good of the State and issues a certificate to that effect.

8. Petitioners seek Board approval pursuant to 30 V.S.A. § 248 of the proposed purchases of electricity and associated environmental attributes from HQUS.

9. With this Petition, Petitioners are submitting prefiled testimony and exhibits that support the proposed purchases and requests for approvals set forth herein. Witnesses William

Deehan and Christopher Cole submit joint testimony and exhibits that address a number of the Section 248 criteria on a statewide basis on behalf of all Petitioners. Specifically, witnesses Deehan and Cole (i) describe the HQUS PPA and related transactions, (ii) address Section 248(b)(2) (need), Sections 248(b)(4) and 248(a) (economic benefit and general good), Sections 248(b)(3) and (b)(10) (impact on reliability, stability and transmission), and Section 248(b)(7) (state energy plan), and (iii) support the Petitioners' request for issuance of the findings that the proposed power purchases will promote the general good of the State and shall be entitled to rate recovery assurance.

10. In addition to the joint testimony of Mr. Deehan and Mr. Cole, each of the HQUS PPA Vermont Buyers and WEC has filed testimony for its respective organization, addressing Section 248(b)(2) (need), Section 248(b)(4) (economic benefit), and Section 248(b)(7) (IRP). These witnesses are William Deehan, James Cater and Charles Watts on behalf of CVPS, Douglas Smith on behalf of GMP, Craig Kieny on behalf of VEC and Stowe, Brian Callnan on behalf of VPPSA, Todd Allard on behalf of Vermont Marble, Kenneth Nolan on behalf of BED, and Patricia Richards on behalf of WEC. Mr. Callnan's testimony also supports the purchases by the VPPSA Municipalities.

## **B. The Power Supply Gap**

11. Currently, two power contracts – the existing firm power and energy contract with Hydro-Québec (the “VJO Contract”) and the contract for power from the Vermont Yankee Nuclear Power Station (the “VY Contract”) – dominate the State's power mix. These contracts, which supply in aggregate at least 590 MWs, or roughly two-thirds of Vermont's current power needs, are set to expire within the next several years.

12. The loss of these two significant power supply resources creates the potential for a significant power supply gap, and the testimony and exhibits sponsored by the Petitioners' witnesses support findings that the proposed purchases under the HQUS PPA are necessary to meet forecasted demand for energy.

13. The VJO Contract supplies in aggregate 310 MWs of power and phases out beginning in 2012. The HQUS PPA will replace a portion – approximately 65% – of the existing VJO Contract.

14. The status of the Vermont Yankee station, the source for the other large existing power supply contract that is coming to term, is currently uncertain. Relative to the energy represented by both the VJO and VY Contracts, the HQUS PPA will replace only about 30% of the total reduction in energy supply.

**C. The HQUS PPA**

**1. The HQUS PPA Energy and Environmental Attributes Products**

15. HQUS is the U.S. power marketing subsidiary of Hydro-Québec and is charged primarily with marketing energy exports from Hydro Quebec Production (“HQP”) (a division of Hydro-Québec) to purchasers in neighboring U.S. markets.

16. HQUS is obligated under the PPA to transfer to the Vermont Buyers two distinct products: (i) energy, and (ii) an equivalent quantity of environmental attributes corresponding to energy from the HQP system mix, which must be comprised of at least 90% hydroelectricity.

17. Hydroelectricity from HQP is designated as renewable under Vermont law. 2009 Vt. Acts No. 159, § 13.

18. Unlike the energy purchased under the existing VJO Contract, which must be successfully scheduled across the ties that make up the interface with Québec before being available to Vermont, the energy under the PPA will be available effectively 100% during the sixteen on-peak hours. This is because the energy is transacted under the PPA as an “Internal Bilateral Transaction” or “IBT” in the ISO New England (“ISO-NE”) settlement system.

19. An IBT is defined by ISO-NE as a sale and purchase of energy obligations internal to the New England markets under which a market purchaser receives a reduction in its respective day-ahead adjusted load obligations and its real-time adjusted load obligations, and the market seller receives a corresponding increase in its day-ahead adjusted load obligation and its real time adjusted load obligation in the amount of the sale, in MWs.

20. An Internal Bilateral Transaction, therefore, does not involve physical deliveries of energy as between a seller and buyer, but it does adjust the parties’ respective load obligations to the ISO-NE. From an economic perspective, this represents a firm, reliable energy source.

21. HQUS is also obligated under the PPA to transfer to the Vermont Buyers environmental attributes associated with power delivered by HQUS into New England in a

quantity matching the Vermont Buyers' energy quantities.

22. HQUS must provide sufficient documentation that the environmental attributes have the characteristics of the HQP system mix and in any event meet the 90% minimum hydroelectric content requirement under the PPA.

## **2. HQUS PPA Price**

23. The November 2012 PPA starting price is benchmarked to a Reference Price which will be fully established by the end of 2010. The starting price will be adjusted annually by a formula influenced by market conditions and inflation and subject to a limit on single year price changes.

24. These ongoing adjustments will tend to keep the contract price closely associated with market prices during periods of moderate volatility while significantly limiting Vermont's exposure to rapid or sustained high price periods.

25. The PPA pricing formula and its parameters effectively establish the degree to which the PPA price hedges exposure to spot market prices. The formula remains the same over the full term of the PPA, so the degree of the hedge is known now.

26. Given observed forward market conditions to date, the first year PPA price is now projected to start in the low \$60/MW range (about \$.06/kW) in November 2012.

27. The long-term nature of the contract, together with its price smoothing mechanisms, will provide Vermont consumers with important price stability. The net effect will be a significantly hedged, fair price for clean, renewable power purchased by the Vermont Buyers.

28. In fact, in the competitive RFP process conducted last year by three of the Vermont Buyers, none of the renewable-based offers were as favorable as the HQUS PPA's combination of price, non-intermittent schedule, volume, credit quality, reliability and term.

29. In addition to the transfer of environmental attributes based on energy physically delivered into New England, the PPA also includes a sharing by the Vermont Buyers with HQUS of any revenues from Buyer sales for resale of environmental attributes transferred to the Vermont Buyers under the PPA, and a sharing by HQUS with the Vermont Buyers of any revenues from HQUS sales of environmental attributes related to energy deliveries other than

PPA deliveries over the transmission tie with Canada located in Highgate, Vermont. Each of these features has the potential to be a source of additional value over the PPA's twenty-six year term.

### **3. HQUS PPA Quantities**

30. The PPA includes six schedules of energy quantities over the twenty-six year contract term, totaling 218 MWs per hour, sixteen hours a day (the key "peak load" hours), seven days a week, and every day of the year. The energy quantities increase to 225 MWs per hour if the transfer capability of the Highgate converter facility is increased to 225 MWs during the term of the PPA.

31. The volume of products purchased under the PPA phases in during the first eight years as the volumes purchased under the existing VJO Contract phase down and PPA purchases phase down near the expiration of the PPA.

32. Although the PPA is a single, stand-alone power contract, the obligations of the Buyers are several but not joint.

33. The following two tables are from the HQUS PPA and identify each Vermont Buyer's allocation of energy over the term of the PPA:

### Vermont Buyers' Allocations of HQUS PPA Energy Quantity at 218 MW

	Schedule 1	Schedule 2	Schedule 3	Schedule 4	Schedule 5	Schedule 6
	November 1, 2012 to October 31, 2015	November 1, 2015 to October 31, 2016	November 1, 2016 to October 31, 2020	November 1, 2020 to October 31, 2030	November 1, 2030 to October 31, 2035	November 1, 2035 to October 31, 2038
	MW	MW	MW	MW	MW	MW
<b>BED</b>	0	5	5	9	9	4
<b>CVPS</b>	0	83.119	94.119	95.119	105.809	22.69
<b>GMP</b>	4.821	65.589	75.063	75.063	79.11	18.342
<b>Stowe</b>	1.032	2.884	2.984	2.984	2.251	0.399
<b>VEC</b>	15.236	15.236	15.236	16.236	4.004	4.004
<b>VPPSA</b>	0.911	11.172	15.598	15.598	16.267	6.006
<b>Vermont Marble</b>	3	4	4	4	1.559	0.559
<b>Total</b>	25	187	212	218	218	56

### Vermont Buyers' Allocations of HQUS PPA Energy Quantity at 225 MW

	Schedule 1	Schedule 2	Schedule 3	Schedule 4	Schedule 5	Schedule 6
	November 1, 2012 to October 31, 2015	November 1, 2015 to October 31, 2016	November 1, 2016 to October 31, 2020	November 1, 2020 to October 31, 2030	November 1, 2030 to October 31, 2035	November 1, 2035 to October 31, 2038
	MW	MW	MW	MW	MW	MW
<b>BED</b>	0	5	5	9	9	4
<b>CVPS</b>	0	85.419	96.419	98.419	112.101	26.682
<b>GMP</b>	7.017	67.485	76.959	76.959	81.293	20.825
<b>Stowe</b>	1.238	2.89	2.99	2.99	2.135	0.483
<b>VEC</b>	17	17	17	17	3.845	3.845
<b>VPPSA</b>	1.745	11.206	15.632	15.632	15.91	6.449
<b>Vermont Marble</b>	5	5	5	5	0.716	0.716
<b>Total</b>	32	194	219	225	225	63

34. Article Two of the PPA provides that if a Buyer fails to obtain required regulatory, municipal or cooperative member approvals (a "Removed Buyer"), then the remaining Buyers have the option to assume such Removed Buyer's share subject to HQUS's consent relating to credit/collateral requirements. However, there are no reallocations if a Buyer

terminates or defaults after the PPA becomes effective.

35. Certain Buyers have requested, as set forth in their respective prefiled testimony, that the Board approve quantities of the products in an “up to” amount above the amounts set forth for their respective shares in the PPA, in the event that such Buyers exercise the right to assume a Removed Buyer’s share.

#### **4. Collateral Agreements Associated with the PPA**

36. Each Buyer under the HQUS PPA has entered into an individual Collateral Agreement with HQUS in the form included as Confidential Exhibit Petitioners’ Joint-4, to govern the need for and use of performance assurance (collateral) under transactions between each Buyer and HQUS.

37. Specifically, each Collateral Agreement establishes a collateral threshold, defines how exposure to the other party will be calculated, and contains other credit-related terms.

38. Pursuant to each Collateral Agreement, the Vermont Buyers will receive more favorable credit terms if the Board issues an Order that provides assurance of rate recovery of PPA costs, as long the PPA is prudently managed.

39. Hydro-Québec has executed a Guaranty, in favor of each Buyer, of HQUS’s obligations up to a prescribed dollar limit. In turn, the Buyers have entered into a separate Allocation Agreement (among the Buyers only) that, among other things, allocates to each Buyer its share of the Guaranty limit and its share of collateral provided by HQUS. The initial allocations are proportional to the anticipated purchases by each Buyer over the term of the PPA. Copies of the Guaranty and Allocation Agreement are included as Confidential Exhibits Petitioners’ Joint-5 and Petitioners’ Joint-6.

#### **5. HQUS PPA Transaction Benefits**

40. The proposed PPA is an opportunity for Vermont to purchase a very significant and long-term quantity of power that: (i) is needed to meet an expected power supply gap facing Vermont; (ii) has a very high renewable content; (iii) provides significant price stability with a significant price-hedge against spot market volatility; (iv) is a relatively low-cost source of power, with an expected cost roughly equivalent to the cost of non-renewable market sources of



power; (v) is highly reliable, because energy will be supplied during the peak sixteen hours every day of the contract term and is not contingent upon any generator interconnection facility; (vi) is backed by a provider with very high quality credit; and (vii) is supplied under a PPA that contains favorable credit provisions, particularly should the Board find that rate recovery assurance is warranted in this proceeding.

41. The PPA is likely to represent savings against the cost of other potentially-available sources – particularly other sources of renewable, low-emission power.

42. The PPA is consistent with Vermont policy and law that encourages clean, affordable, long-term, stably priced renewable energy contracts that mitigate market price fluctuation for Vermonters.

**D. The VPPSA PSAs**

43. The cost of energy and environmental attributes under the VPPSA PSA, or “Project Costs,” will include the PSA Participants’ *pro rata* share of monthly invoice costs billed by HQUS to VPPSA, any other VPPSA-incurred costs related to the administration of the HQUS PPA and any costs of financing which may be necessary for the performance of the HQUS PPA.

44. The initial PSA Participant allocations under the VPPSA PSA are as follows:

**Table 4. Initial PSA Participants' allocation (in MW) of the HQUS PPA at 218 MW**

<b>System</b>	<b>November 1, 2012 to October 31, 2015</b>	<b>November 1, 2015 to October 31, 2016</b>	<b>November 1, 2016 to October 31, 2020</b>	<b>November 1, 2020 to October 31, 2030</b>	<b>November 1, 2030 to October 31, 2035</b>	<b>November 1, 2035 to October 31, 2038</b>
Barton Village Inc. Electric Department	0.041	0.502	0.593	0.593	0.612	0.151
Village of Enosburg Falls Water & Light Department	0.059	0.724	0.856	0.856	0.883	0.217
Town of Hardwick Electric Department	0.078	0.958	1.132	1.132	1.168	0.288
Village of Hyde Park Electric Department	0.031	0.375	0.443	0.443	0.457	0.113
Village of Jacksonville Electric Company	0.014	0.168	0.199	0.199	0.205	0.051
Village of Johnson Water and Light Department	0.038	0.462	0.546	0.546	0.563	0.139
Village of Ludlow Electric Light Department	0.119	1.464	1.729	1.729	1.784	0.439
Village of Lyndonville Electric Department	0.179	2.198	2.597	2.597	2.678	0.660
Village of Morrisville Water & Light Department	0.110	1.346	1.590	1.590	1.640	0.404
Village of Northfield Electric Department	0.072	0.883	1.043	1.043	1.076	0.265
Inc. Village of Orleans Electric Department	0.029	0.352	0.416	0.416	0.430	0.106
Town of Readsboro Electric Light Department	0.006	0.075	0.088	0.088	0.091	0.022
Swanton Village, Inc. Electric Department	0.136	1.664	1.966	1.966	2.028	0.499
Washington Electric Cooperative	0.000	0.000	2.400	2.400	2.653	2.653
<b>Vermont Public Power Supply Authority</b>	<b>0.911</b>	<b>11.172</b>	<b>15.598</b>	<b>15.598</b>	<b>16.267</b>	<b>6.006</b>

**Table 5. Initial PSA Participants' allocation (in MW) of the HQUS PPA at 225 MW**

<b>System</b>	<b>November 1, 2012 to October 31, 2015</b>	<b>November 1, 2015 to October 31, 2016</b>	<b>November 1, 2016 to October 31, 2020</b>	<b>November 1, 2020 to October 31, 2030</b>	<b>November 1, 2030 to October 31, 2035</b>	<b>November 1, 2035 to October 31, 2038</b>
Barton Village Inc. Electric Department	0.078	0.504	0.595	0.595	0.593	0.167
Village of Enosburg Falls Water & Light Department	0.113	0.727	0.858	0.858	0.855	0.242
Town of Hardwick Electric Department	0.150	0.961	1.135	1.135	1.131	0.319
Village of Hyde Park Electric Department	0.059	0.376	0.444	0.444	0.443	0.125
Village of Jacksonville Electric Company	0.026	0.169	0.199	0.199	0.199	0.056
Village of Johnson Water and Light Department	0.072	0.463	0.547	0.547	0.545	0.154
Village of Ludlow Electric Light Department	0.229	1.468	1.733	1.733	1.727	0.488
Village of Lyndonville Electric Department	0.343	2.205	2.603	2.603	2.594	0.733
Village of Morrisville Water & Light Department	0.210	1.350	1.594	1.594	1.589	0.449
Village of Northfield Electric Department	0.138	0.886	1.046	1.046	1.042	0.294
Inc. Village of Orleans Electric Department	0.055	0.354	0.417	0.417	0.416	0.118
Town of Readsboro Electric Light Department	0.012	0.075	0.088	0.088	0.088	0.025
Swanton Village, Inc. Electric Department	0.260	1.669	1.971	1.971	1.964	0.555
Washington Electric Cooperative	0.000	0.000	2.400	2.400	2.724	2.724
<b>Vermont Public Power Supply Authority</b>	<b>1.745</b>	<b>11.206</b>	<b>15.632</b>	<b>15.632</b>	<b>15.910</b>	<b>6.449</b>

45. In order to give VPPSA and the PSA Participants flexibility in adjusting allocations in response to the PSA Participants' internal approval process, the VPPSA Municipalities request that the Board approve an "up to" allocation amount under the VPPSA

PSA. The VPPSA Municipalities' "up to" amounts are described in the prefiled testimony of Brian Callnan.

46. The VPPSA PSAs will promote the general good of the State because they will deliver the benefits of the HQUS PPA to the PSA Participants in a cost-effective manner. Moreover, they satisfy the 30 V.S.A. § 248(b) criteria for the reasons set forth herein.

**E. The WEC/VEC Resale Arrangement**

47. WEC and VEC have entered into an agreement (the "WEC-VEC Suballocation Agreement") whereby WEC will convey its allotment of HQUS power to VEC until such time as WEC demonstrates a need for the power. WEC-VEC Suballocation Agreement obligates VEC to return, and WEC to take back, up to the full WEC allotment under two scenarios where WEC will have insufficient power relative to its load needs.

48. In the first scenario, if WEC's existing or currently-anticipated resources are not sufficient to cover its need for power, upon one year's notice, VEC must return and WEC must take back all or a portion of WEC's HQUS allotment on a permanent basis for the remaining life of the WEC-VPPSA HQUS PPA Sub-Allocation Agreement. This long-term call back option is tied to the amount of power WEC needs and can be phased in incrementally until the full allocation of power through the WEC-VPPSA HQUS PPA Sub-Allocation Agreement is taken back by WEC.

49. In the second scenario, in the event of an interruption of supply, upon one month's notice from WEC, VEC must return and WEC must take back all or a portion of WEC's HQUS allotment on a temporary basis. At the conclusion of the supply interruption, VEC will resume purchasing the WEC allotment.

50. This arrangement will allow WEC to economically meet its longer term energy supply needs, and it also creates an economic hedge against unanticipated supply interruptions or load growth. WEC requests that the Board approve of its participation as part of the VPPSA PSA *only if* it also approves the WEC-VEC Suballocation Agreement. WEC further requests that the Board approve of its participation in the VPPSA PSA *only if* it conditions such approval

upon VEC obtaining membership approval, pursuant to 30 V.S.A. § 248(c), of the WEC-VEC Suballocation Arrangement.

51. As to VEC, even with this additional allocation, VEC's total entitlement under the HQUS PPA does not fully replace its current entitlement under the existing VJO Contract. Accordingly, VEC requests that the Board approve, pursuant to 30 V.S.A. § 248(a), the WEC-VEC Suballocation Agreement.

**F. Petitioners' Requests for Section 248 Certificates of Public Good**

52. The transactions as proposed by Petitioners meet the applicable criteria established by 30 V.S.A. §248(b) and, therefore, warrant that the Board make the findings requisite to the issuance of Certificates of Public Good. Specifically, as to each Petitioner, such purchase will promote the general good of the State in that it:

- a. is required in accordance with 30 V.S.A. §248(b)(2) to meet the need for present and future demand for service which could not otherwise be provided in a more cost effective manner through energy conservation programs and measures and energy-efficiency and load management measures, including but not limited to those developed pursuant to the provisions of 30 V.S.A. §§ 209(d), 218c, and 218(b);
- b. will not adversely affect system stability and reliability in accordance with 30 V.S.A. §248(b)(3);
- c. will result in an economic benefit to the State and its residents in accordance with 30 V.S.A. §248(b)(4);
- d. is consistent with the principles for resource selection expressed in each Petitioner's least cost integrated plans in accordance with 30 V.S.A. §248(b)(6);
- e. is in compliance with the electric energy plan approved by the Department under 30 V.S.A. § 202, or that there exists good cause to permit the proposed action in accordance with 30 V.S.A. §248(b)(7); and
- f. can be served economically by existing or planned transmission facilities

without undue adverse effect on Vermont utilities or customers in accordance with 30 V.S.A. §248(b)(10).

53. The 30 V.S.A. §248(b)(1), (b)(5), (b)(8), and (b)(9) criteria do not apply to the proposed purchases in that such purchases do not involve an in-state facility or a facility affecting or located on any waters of the State. *See Petition of Central Vt. Pub. Serv. Corp. for a Certificate of Public Good Approving the Purchase of Electricity Pursuant to in accordance with a Power Purchase Agreement with Granite Reliable Power, LLC*, Docket 7589, Order of 5/13/10 at 9.

**G. Vermont Marble-CVPS PSA**

54. Vermont Marble and CVPS have entered into an agreement (the “Vermont Marble-CVPS PSA”) pursuant to which CVPS will acquire from Vermont Marble certain assets used by Vermont Marble in the generation, transmission and distribution of electricity within Vermont Marble’s service territory.

55. A petition seeking review and approval of the Vermont Marble-CVPS PSA is pending before the Board.

56. As set forth in Section 3.2(c) of the PPA, Vermont Marble has the right to assign its allocation to CVPS in the event that the Board approves the sale of Vermont Marble’s assets to CVPS. CVPS and Vermont Marble have executed an Assignment and Assumption Agreement to enable the parties to effectuate the assignment following Board approval.

57. In order to fulfill its duties to provide electric power to its service territory, Vermont Marble seeks approval of the PPA in its own right. However, in the event the assets are transferred to CVPS and Vermont Marble is relieved of its public service obligation, Vermont Marble will not have need for the energy allocated to it under the PPA and does not want to retain an obligation to purchase such energy.

58. Likewise, in the event the assets of Vermont Marble are sold to CVPS, CVPS desires to assume Vermont Marble’s allocation in order to support the additional load represented by the Vermont Marble service territory then to be served by CVPS.

59. Pursuant to the terms of the PPA, HQUS retains the right to require a change in CVPS's credit and collateral requirements to reflect the allocation to CVPS of Vermont Marble's PPA allocation and, if the change is acceptable to CVPS, CVPS seeks general approval from the Board of that change in collateral requirements, notice and terms of such change shall be provided to the Board for its specific review and approval in an order applicable to both CVPS and Vermont Marble.

## **II. Request for Ruling Granting Rate Recovery Assurance**

60. This Board has articulated its ability to conduct both prudence and used and useful reviews in the context of a Section 248 proceeding: "Nothing [in 30 V.S.A. § 225-227] or in other provisions of Vermont law, limits the Board's authority to decide, outside of a rate proceeding, whether specific expenditures or investments meet the criteria of Section 218(a) and thus, may be recovered in rates." *Re: Vermont Yankee Nuclear Power Corporation*, Docket 6545, Order of 6/13/2002 at 96 (hereinafter "*Vermont Yankee*").

61. The facts here support application of standard ratemaking methodologies to find that the PPA represents a prudent and economically useful hedge against uncertain future market price conditions.

62. In evaluating the economic usefulness of power purchase decisions, this Board has "generally compared the value of the payments for the purchase [of power under a PPA] to the value of market-based alternatives." *Vermont Yankee*, Docket 6545, Order of 6/13/2002 at 102.

63. The PPA will allow Vermont ratepayers to benefit from low future market-based prices (compared to a fixed price contract) by adjusting toward the PPA market price index, while at the same time significantly shielding them from the effects of potential upward market price volatility.

64. The PPA price will be fixed by the specified adjustment mechanisms, and the PPA's pricing provisions specify the algorithms and data points to be utilized to perform the calculations. In addition, the volumes of the energy and environmental attributes are also fixed. The degree of the hedge against spot market price volatility is known now and will not change.

65. Pursuant to each Collateral Agreement, the Vermont Buyers will receive more favorable credit terms if there is a Board Order providing assurance of rate recovery of PPA costs, as long as the PPA is prudently managed.

66. The more favorable credit terms will provide a meaningful and significant benefit to the Buyers, particularly given the need to supplement expiring power supply resources.

67. A finding in this proceeding that the Vermont Buyers' expenditures under this PPA meet the criteria of Section 218(a) and thus may be recovered in rates, will also send a very strong signal to the credit rating agencies that the companies themselves are more likely to remain creditworthy. This can meaningfully lower costs for Vermont electric customers to the extent this determination becomes a feature of the approval of long-term agreements as it will have a direct bearing upon and likely improve the credit ratings of the Petitioners. In turn, improved credit ratings will lower collateral requirements and cash outlays under this and other financial agreements and instruments which are tied to creditworthiness.

68. The PPA has been very carefully developed to incorporate attributes that are compatible with and promote state energy policy (long-term, favorable to market, stably priced, renewable, low-carbon emissions).

69. This contract is also quite unique in that there are no other renewable resource supplies with as attractive a combination of desirable characteristics available to the Vermont Buyers in the market. In the competitive RFP process conducted last year by three of the Vermont Buyers, none of the renewable based offers performed close to this PPA's combination of price, non-intermittent schedule, volume, credit quality, reliability and term.

70. An Order granting rate recovery assurance would be consistent with Section 8001(a)(3) of Title 30, which states that "it is in the interest of the people of the state" to promote state energy policy by, among other things, *"providing an incentive for the state's retail electricity providers to enter into affordable, long-term, stably priced renewable energy contracts that mitigate market price fluctuation for Vermonters."*

71. Rate recovery assurance would create a very meaningful incentive to the State's electricity providers to undertake these beneficial long-term contracts that are in the best interests of the State.

**III. Request for Board Determination That Section 231 Does Not Apply to This Proceeding**

72. Petitioners request that the Board clarify the scope of the proceeding at its outset. Specifically, Petitioners seek a determination by the Board that the provisions of 30 V.S.A. § 231 do not apply to this proceeding. The basis for Petitioners' request is laid out in Petitioners' Memorandum Concerning Required Approvals, which is being filed in conjunction with this Petition.

**IV. Request for Section 108 Approvals**

73. Each Collateral Agreement contains a pledge to HQUS of a security interest in the collateral, which could include, among other things, cash or letters of credit issued by a Buyer to HQUS.

74. 30 V.S.A. § 108 provides that a corporation subject to the jurisdiction of the Board may not mortgage or pledge its corporate property or issue of notes or other evidences of indebtedness without consent of the Board.

75. Petitioners VPPSA, Vermont Marble, Stowe and WEC each request that the Board consent pursuant to 30 V.S.A. § 108 for the pledge of collateral under their respective Collateral Agreements with HQUS, or WEC's Agreement with VPPSA, as they may, over the term of the PPA, be required to post collateral in amounts that exceed amounts currently approved by the Board.

76. Petitioner CVPS has received Board approval in Docket Nos. 7074 and 6892 in connection with posting collateral for its power purchase transactions through August 9, 2015. In a separate filing under Docket Nos. 7074 and 6892, CVPS will request Board consent for the pledge of collateral under its Collateral Agreement with HQUS over the term of the PPA. The other Petitioners either also have Board-approved arrangements in place for any required pledge of corporate property or other evidences of indebtedness, or do not need Board approval for any contemplated arrangements.

77. The facts here support a finding that each of VPPSA's, Vermont Marble's, Stowe's, and WEC's pledge of collateral will be consistent with the general good of the State



because the Collateral Agreements, and WEC's Agreement with VPPSA, offer favorable terms and they are a necessary component of the transaction that will deliver the benefits described herein.

### **Requests for Relief**

WHEREFORE, Petitioners respectfully request this Board to:

- A. Hold a prehearing conference as expeditiously as possible on the Petition;
- B. Hold such technical hearings as the Board determines are necessary, as expeditiously as possible;
- C. Find that the proposed purchases and associated transactions described herein and in the supporting testimony and exhibits of the Petitioners satisfy the applicable criteria of 30 V.S.A. § 248 and will promote the general good of the State of Vermont, and issue Certificates of Public Good to them to that effect;
- D. Find that each of the Petitioner's respective purchase obligations and associated costs are prudent and economically used and useful and entitled to rate recovery assurance, subject to the obligation of each Petitioner to prudently manage such purchases, and issue an Order to that effect;
- E. Find that performance by HQUS under the PPA and related agreements does not require HQUS to obtain a Certificate of Public Good under 30 V.S.A. § 231(a);
- F. As to the Vermont Marble and CVPS PSA transaction:
  - 1. Vermont Marble requests the approval of the Board authorizing Vermont Marble to purchase power under the PPA in the event the Board does not approve the sale of Vermont Marble's assets to CVPS;
  - 2. Vermont Marble requests the approval of the Board to assign to CVPS Vermont Marble's rights, duties and obligations under the PPA including the Energy Quantity allocated to Vermont Marble, in the event the Board approves the sale of Vermont Marble's assets to CVPS and such assets are transferred to CVPS and, specifically, Vermont Marble requests the approval of the Board of the Assignment and Assumption Agreement;
  - 3. CVPS requests the approval of the Board in the event the Board approves

the sale of Vermont Marble's assets to CVPS and such assets are transferred to CVPS, to assume Vermont Marble's rights, duties and obligations under the PPA including Vermont Marble's PPA allocation and, specifically, CVPS requests the approval of the Board of the Assignment and Assumption Agreement; and

4. CVPS and Vermont Marble request the general approval of the Board to change the CVPS Collateral Agreement and the credit and collateral requirements thereunder to reflect the reallocation to CVPS resulting from such assignment and assumption and will request the specific approval of the Board once the change in collateral requirements is made known to CVPS.

G. As to Petitioners VPPSA, Vermont Marble, Stowe and WEC, consent pursuant to 30 V.S.A. § 108 to the pledge of collateral under each such Petitioner's respective Collateral Agreements with HQUS, or WEC's Agreement with VPPSA;

H. As to Petitioner WEC, authorize its participation as part of the VPPSA PSA *only if* the Board also approves the WEC-VEC Suballocation Agreement and VEC's membership subsequently provides approval, pursuant to 30 V.S.A. § 248(c);

I. Authorize Petitioners to undertake the actions described herein and in the attached testimony and exhibits; and

J. Take such other action as may be required for the expeditious review and approval of this Petition.

The Petitioners have caused this Petition to be duly executed as of the date first above written above.

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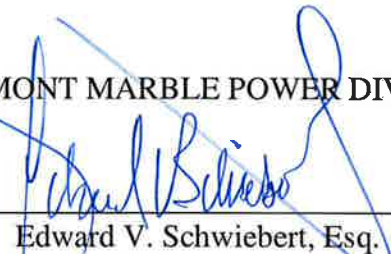
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A handwritten signature in blue ink, appearing to be 'Victoria J. Brown', written over a horizontal line.

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JOHNSON ELECTRIC DEPARTMENT  
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